



AIR-CONDITIONING  
& REFRIGERATION  
INSTITUTE

Representing Manufacturers  
of Heating, Ventilating,  
Air-Conditioning and  
Refrigeration Products

**STATEMENT OF WILLIAM G. SUTTON**  
**President**  
**Air-Conditioning and Refrigeration Institute (ARI)**  
**Before the International Trade Commission**  
**Hearing on the Impact of the**  
**Section 201 Safeguard Action on Certain Steel Products**  
**June 20, 2003**

Good afternoon. Thank you for the opportunity to submit this testimony to the International Trade Commission (ITC) regarding the impact of the section 201 steel tariffs on steel consuming industries.

My name is William G. Sutton, and I am president of the Air-Conditioning and Refrigeration Institute, or ARI. ARI is the trade association representing 211 manufacturers of more than 90 percent of North American produced central air conditioning and commercial refrigeration equipment. Today, I am speaking on behalf of our industry, which has been negatively affected by the 2002 steel safeguard measures.

Our industry employs over 175,000 workers and contributes \$17 billion annually to the U.S. economy. Our members range in size from companies like National Refrigeration and Air Conditioning Products, which employs 175 people, to large manufacturers of numerous products like York International, which employs more than 23,000. From an industry founded on the need to control temperature and humidity, our members have transformed the way we live, work and play in the U.S. as well as hundreds of countries around the world. Due to innovative engineers and dedicated craftsmen, our industry manufactures equipment which provides productivity gains that have transformed our economy; industrial processes such as computer chip manufacturing and safe food preparation that would not be possible without our technology; lifesaving medicines, blood, and 24 hour surgery, are just a few. Our industry's products improve the quality of life in homes, the workplace, schools, hospitals, industrial plants, and institutions. Our industry also is an integral part of the cold chain for food, bringing fresh, safe refrigerated food to millions of people in both industrialized and developing countries.

However, our industry's innovation and productivity is threatened by the steel tariff. From the U.S. air conditioning and refrigeration industry's perspective, there is ample evidence of the loss of business, profit and ultimately jobs that are due to the imposition of these steel tariffs. As an indication of the seriousness with which our industry views this issue, ARI's Board of Directors recently voted unanimously to support our association's advocacy for ceasing the steel tariff.

Just as you heard in testimony yesterday, many of our manufacturers have also faced supply shortages for quality steel. Of special concern is the fact that a supplier broke long term contracts and replaced them with short term, higher priced contracts. On average, our members report the cost of steel has risen overall in the range of 18% - 38%.

Because of delayed supplier deliveries, materials are not available and longer production lead times are needed. Many of our products are custom built and it is difficult to pass these increased costs on to consumers. Companies are faced with reducing profit margins and employees, or potentially moving manufacturing facilities outside the U.S. As one of my members told me, "Steel is a fundamental component of everything we make – every day we pay extra for steel means more industry shifting to Asia."

As experts on this subject, two ARI members have joined me to specifically address the loss of business, loss of jobs and increase in foreign competition faced by their companies as a result of the steel tariff.

Representing our larger sized companies which manufacture a wide range of industry products, is York International. Terry Bowman, York's Vice President of Supply Chain Management will speak to the tariff's impact on his company, which has forced York to outsource production of steel assemblies and finished goods to offset steel price increases.

Representing our smaller sized companies is National Refrigeration and Air Conditioning Products. Brian Kelly, President of National Refrigeration will document the tariff's significant foreign competitive impact on his company.

In conclusion, the air conditioning and refrigeration industry plays a vital role in the comfort, health and safety for citizens in virtually every country in the world. And as a result, our quality of life hasn't just improved - it is much, much better. To potentially curb this innovation and productivity by continuing the damaging steel tariff is detrimental to the health and vibrancy of our domestic industry and ultimately to our domestic economy. ARI and its members believe the tariff should be removed through the ITC's mid-point review process. ARI urges the Commission to consider the serious competitive impact of the steel tariff on our industry in its report to the President this September.

ARI looks forward to following up with any additional information you may need regarding the steel tariff's impact on the U.S. air conditioning and refrigeration industry.

Thank you.